

Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 IO-13 ISO-00 OTPE-00 EB-08 STR-05
AGRE-00 CEA-01 CIAE-00 DODE-00 FRB-03 H-01 INR-07
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05
SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00
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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC PRIORITY 1309

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EO 11652N/A

TAGS: ETRD, MTN, SZ, PL

SUBJ: MTN REQUEST EXERCISE FOR POLAND

REF: A. WARSAW 7691, B. STATE 243939

1. EMBASSY OFFICERS MET OCTOBER 26 WITH OFFICIALS OF THE POLISH INSURANCE COMPANY WARTA TO DISCUSS MARINE-INSURANCE QUESTIONS POSED IN PARAGRAPH 2 OF REF B. THE POLISH OFFICIALS SAID THAT WARTA HAS AN AGREEMENT WITH ALL POLISH FOREIGN-TRADE ORGANIZATIONS (FTO'S) TO INSURE THEIR TRADE TURNOVER. THEY SAID THAT POLISH FIRMS PREFER THIS ARRANGEMENT BECAUSE THE PREMIUMS ARE PAYABLE IN ZLOTYS, A NON-CONVERTIBLE CURRENCY.

2. THE WARTA INSURANCE PACKAGE COVERS ALL IMPORTS TO POLAND WHICH ARE BROUGHT FOB AND ALL EXPORTS FROM POLAND WHICH ARE SOLD CIF. CONVERSELY, IF POLISH IMPORTS ARE PURCHASED CIF OR POLISH EXPORTS ARE SOLD FOB, WARTA MUST COMPETE WITH OTHER COMPANIES
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TO INSURE THIS TRADE. THE OFFICIALS ADDED THAT THE FTU'S ARE NOT REQUIRED BY LAW TO PLACE INSURANCE WITH WARTA. THEY EMPHASIZED THAT A SUBSTANTIAL PORTION OF MARINE INSURANCE IS REINSURED WITH WESTERN FIRMS.

3. WESTERN FIRMS ARE UNABLE TO SELL INSURANCE COVERAGE DIRECTLY TO POLISH FTO'S BECAUSE THEY ARE UN-

ABLE TO SELL IN ZLOTYS. EVEN IF WESTERN INSURERS WERE ABLE TO SELL IN ZLOTYS AND REPATRIATE THEIR EARNINGS IN HARD CURRENCY, THEY STILL MIGHT BE UNABLE TO PENETRATE THE POLISH MARKET. THE FTO'S WOULD PROBABLY NOT HAVE COMPLETE LATITUDE IN CHOSING BETWEEN A FOREIGN INSURANCE FIRM AND WARTA.

4. WITH REGARD TO PARAGRAPH 2 OF REF B, THE WARTA OFFICIALS SAID THAT THE SEPTEMBER, 1976, LAW REFERS TO TURN-KEY PROJECTS WHICH ARE UNDERTAKEN IN POLAND BY FOREIGN COMPANIES AND INVOLVE THE EXPENDITURE OF HARD CURRENCY. THE INSURANCE COVERS THE ENTIRE PROJECT DURING THE CONSTRUCTION PERIOD AGAINST UNFORESEEN HAZARDS SUCH AS FIRE. SOME PREMIUMS ARE PAYABLE IN ZLOTYS, BUT WE UNDERSTAND THAT THE BRITISH FIRM CEMENTATION HAS PAID PREMIUMS IN HARD CURRENCY FOR COVERAGE OF THE HOTEL WHICH IT IS TO BUILD FOR LOT IN WARSAW. LOSSES ARE INDEMNIFIED IN HARD CURRENCY. IN REPOSE TO OUR QUESTIONS, THE OFFICIALS SAID THAT, IN 1975, FIRE HAD DESTROYED A \$10 MILLION PLANT ONE MONTH BEFORE CONSTRUCTION WAS COMPLETED. THE FOREIGN CONTRACTOR, WHO HAD NOT INSURED THE PLANT FOR SUCH A LOSS, WENT BANKRUPT, AND THE POLES WERE LEFT WITH A COMPLETE LOSS. THEY SAID THAT THE LAW WAS THEREFORE NECESSARY TO ASSURE THAT SUCH CASES DID NOT RECUR AND THAT IT WAS NOT INTENDED AS A BARRIER TO FOREIGN FIRMS. THE OFFICIALS LIMITED OFFICIAL USE

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SAID THAT A "AT LEAST 80 PERCENT OF THE VALUE OF THESE "INDUSTRIAL-FIRE" POLICIES ARE REINSURED IN THE COUNTRY OF THE FOREIGN CONTRACTOR.

4. THE OFFICIALS SAID THAT WARTA WAS CONSIDERING INSTITUTEING NEW TYPES OF POLICIES TO COVER IMPORTED EQUIPMENT AGAINST LOSS FROM NATURAL HAZARDS DURING THE FIRST 5 YEARS OF OPERATION OF THE EQUIPMENT. THEY IMPLIED THAT THE ISSUANCE OF GOVERNMENT REGULATIONS WOULD NOT BE REQUIRED IN ORDER TO IMPLEMENT SUCH POLICIES. THEY SAID THE POLICIES WOULD NOT COVER LOSS FROM IMPROPER DESIGN OF EQUIPMENT OR OTHER COMMERCIAL FACTORS.

5. COMMENT: WARTA OFFICIALS ERE QUITE RESPONSIVE TO ALL OF OUR QUESTIONS, INCLUDING THOSE CONCERNING THE FIRM'S TOTAL HARD-CURRENCY REVENUES ON WHICH WE ARE REPORTING SEPARATELY. WE WOULD APPRECIATE BEING INFORMED OF ANY REQUESTS THE US SIDE MAKES IN THIS AREA DURING THE MTN TALKS SO THAT WE CAN INFORM WARTA DIRECTLY. END COMMENT.
DAVIES

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